

VZCZCXRO5667
PP RUEHLN RUEHVK RUEHYG
DE RUEHNT #1287/01 3121032
ZNR UUUUU ZZH
P 071032Z NOV 08
FM AMEMBASSY TASHKENT
TO RUEHC/SECSTATE WASHDC PRIORITY 0559
INFO RUCNCIS/CIS COLLECTIVE PRIORITY
RUEHBJ/AMEMBASSY BEIJING PRIORITY 1140
RUEHIL/AMEMBASSY ISLAMABAD PRIORITY 4702
RUEHBUL/AMEMBASSY KABUL PRIORITY 2989
RUEHNE/AMEMBASSY NEW DELHI PRIORITY 1648
RHMFISS/CDR USCENTCOM MACDILL AFB FL PRIORITY
RHMFIUU/CDR USEUCOM VAIHINGEN GE PRIORITY
RHMFIUU/CDR USTRANSCOM SCOTT AFB IL PRIORITY 0019
RHMFIUU/DLA FT BELVOIR VA PRIORITY
RHMFISS/HQ USCENTCOM MACDILL AFB FL PRIORITY
RUCADHQ/HQ USCENTCOM FWD PRIORITY
RHMFISS/HQ USEUCOM VAIHINGEN GE PRIORITY
RHMFIUU/HQ AMC SCOTT AFB IL PRIORITY
RUEKJCS/SECDEF WASHINGTON DC PRIORITY
RUEKJCS/JOINT STAFF WASHINGTON DC PRIORITY

UNCLAS SECTION 01 OF 03 TASHKENT 001287

SIPDIS

DEPARTMENT FOR SCA/CEN
TRANSCOM FOR KATHY JOHNSON-CASARES

E.O. 12958: N/A
TAGS: [ECON](#) [MARR](#) [PGOV](#) [AF](#) [UZ](#)
SUBJECT: UZBEKISTAN: DOD DELEGATION ENGAGES BUSINESS
COMMUNITY ON AFGHANISTAN TRANSIT

REF: TASHKENT 1260

SENSITIVE BUT UNCLASSIFIED

¶1. (SBU) SUMMARY. The delegation from the U.S. Transportation Command (TRANSCOM) and Central Command (CENTCOM) that visited Uzbekistan October 21-23 had numerous meetings with local and Western businesses to discuss possible purchase of goods and services in support of Coalition forces operating in Afghanistan. Business were generally enthusiastic about the prospect of supplying the U.S. military, but unclear about the modalities. The Northern Ground Line of Communication (NGLOC) represents an important opportunity to establish relationships with the businesses community in Uzbekistan. Looking ahead to next steps, it will be important provide the Uzbek side, both government and private companies, with more specific information about the products and services we are looking to procure, as well as the modalities of their transport. NGLOC has generated a lot of interest here, but it has also raised a lot of questions that we will need to be prepared to answer. END SUMMARY.

¶2. (SBU) The TRANSCOM/CENTCOM team's October 21-23 visit focused on assessing the possibilities for commercial transit of goods to Afghanistan through Uzbekistan by air, road, rail, or a combination of these. The Government of Uzbekistan appeared very interested in the commercial opportunities presented by NGLOC (reftel), as did local businesses. During the delegation's stay in Uzbekistan, they met with numerous Uzbek state entities, private companies and members of the American Chamber of Commerce (AMCHAM).

UZBEKISTAN AIRWAYS AND UZBEKISTAN RAILROAD

¶3. (SBU) DATT, Air Attache, and Econoff met with representatives of Uzbekistan Airways (Havo Yollari in Uzbek - HY), Uzbekistan Railways (Uzbekistan Temir Yollari in Uzbek - UTI), and Korean Airlines (KAL) before the delegation's arrival. Each of these companies was clearly interested in the commercial possibilities of NGLOC, but wanted

re-assurance that NGLOC, if implemented, would be a profit-making commercial venture. KAL, for its part, has invested heavily in the international cargo hub being built at Navoi in southwestern Uzbekistan and is eager to see a return on its investment. UTI would benefit from potential profit that would help it pay off large loans it used to build the Guzar-Kom'gorgon and other lines in the southeastern part of Uzbekistan. (NOTE: The UTI representatives noted that although rail traffic had increased 30 percent last year, this brings it back only to the level it was at in 1991, the year of the breakup of the Soviet Union. END NOTE)

VISITS TO BUSINESSES IN TASHKENT

14. (SBU) The NGLOC delegation visited facilities operated in and around Tashkent by Rosella Trading, Coca-Cola, and Uz-Texaco. At Rosella Trading, the Uzbek distributor for Proctor and Gamble (P&G), the delegation learned there is no local production of P&G products. All are imported by truck from Russia, Europe, and Turkey, with anywhere from 4-25 trucks arriving per week. Rosella then supplies the products directly to stores, markets, and bazaars. Thirty percent of Rosella's business is in Tashkent, another 30 percent is in the Ferghana Valley, and the remainder is distributed through the rest of Uzbekistan. Rosella officials reported they are encountering increasing difficulty this year in converting profits from Uzbek soums to U.S. dollars. It now takes up to

TASHKENT 00001287 002 OF 003

270 days for Rosella to convert its profits to dollars, whereas last year it took only 100 days. (COMMENT: We have heard similar complaints from other Western businesses operating in Uzbekistan. END COMMENT) Consequently, Rosella has been able to recoup the cost of its imports only through last December and is now limiting its stock. Indeed, Rosella's warehouses appeared to be only half full.

15. (SBU) At Coca-Cola the NGLOC delegation was treated to a long tour of the clean, modern production facilities. Coca-Cola's first production facility was opened in Tashkent in 1994, followed by a second Tashkent plant in 1996 and a facility in Namangan in 1998. Coke's Mega-Plant opened in Tashkent in 1998. For the past several years Coca-Cola production in Uzbekistan has doubled every year. Coke imports its sugar from Europe, its concentrate from France, and its plastic from Korea. Altogether, Coca-Cola employs over 200 people in Uzbekistan ranging from low-level service employees to high-level managers, chemists, and biologists responsible for guaranteeing the purity of the bottled product. In addition to local sales, Coca Cola's Uzbek operation used to export its product to Afghanistan. These exports ended once Afghanistan acquired its own Coca-Cola bottling plant. (COMMENT: It proved surprisingly difficult to arrange the NGLOC delegation's visit to Coca Cola. We suspect that the local manager did not want to receive the delegation until he received approval from his regional office in Istanbul and also, perhaps, the GOU. END COMMENT)

16. (SBU) The U.S. joint venture Uz-Texaco briefed the team on its operations and experiences working in Uzbekistan. Uz-Texaco produces lubricants in Uzbekistan and exports a large part of its production. Currently, the company supplies some 20 percent of the Uzbek market for automobile lubricants and 90 percent of the market for agricultural lubricants. A significant part of its output comes from low-grade petroleum refined in Bukhara which is suitable primarily for Soviet-made equipment. Like other companies, Uz-Texaco faces difficulties in currency conversion and other vagaries of the business climate in Uzbekistan.

AMCHAM BLAZES THE WAY

17. (SBU) The American Chamber of Commerce (AMCHAM) in Tashkent played an important role during the NGLOC visit. In addition to helping arrange several of the visits to local businesses, it provided a suggested list of business representatives to invite to an evening reception at the Ambassador's residence on October 22. This reception was well attended, with many local businessmen coming with proposals for products and services they could provide in support of NGLOC operations. On October 23 AMCHAM hosted a sit-down meeting that brought the NGLOC delegation together with commercial representatives who were able to leave information about their companies.

COMMENT

18. (SBU) AMCHAM members and the heads of smaller businesses in Uzbekistan were clearly excited about the potential business that NGLOC would bring. Indeed, AMCHAM treated the NGLOC delegation's visit as a major business event. There is strong interest among the business community in Uzbekistan to work with the U.S. military on a commercial basis. As the next delegation prepares its visit, people here will be anxious to hear more details about the types of products and services that could be the object of local procurement. The airlines and the railroad will look for answers on the role they would play in delivering goods to Afghanistan,

TASHKENT 00001287 003 OF 003

particularly via Navoi. Although Uzbekistan is a developing country, there is a small part of the business community, including several companies the delegation visited, that operates fully at Western standards and could be reliable suppliers for NGLOC. Expectations have been raised here, making it essential that the next delegation arrive ready to provide details on what, if anything, could be procured locally and clarity regarding the various options for transit.
NORLAND